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SUBJECT: EEB A/S FERNANDEZ ADVOCATES GREATER FOCUS
ON INTERNATIONAL INVESTMENT AT OECD GLOBAL
INVESTMENT FORUM

¶1. (SBU) Summary: EEB Assistant Secretary Jose W. Fernandez co-chaired the December 7-8 OECD Global Forum on International Investment and underscored the importance of foreign direct investment for global economic recovery. He discussed the upcoming OECD 50th Anniversary and OECD support for the G20 with Secretary General Angel Gurría, who sought advice on how to use most effectively the OECD's comparative advantage on structural issues such as competition, corporate governance, and R&D. International Energy Agency (IEA) Executive Director Nobuo Tanaka briefed Fernandez on the IEA's latest World Energy Outlook and its role in providing data for the G20's work on energy subsidies. Tanaka suggested that green growth, energy subsidies work, and follow up to Copenhagen are priority areas for future U.S.-IEA collaboration. Bilateral meetings are covered septel. End summary.

¶2. (U) A/S Fernandez and Egyptian Minister of Investment Mahmoud Moheildin co-chaired the eighth annual Global Forum on International Investment December 7-8 at OECD's Paris headquarters. In recent years the OECD and UNCTAD have jointly sponsored annual meetings of the Forum and a wide range of countries, members of civil society, and academics participate ? this year over 500 attendees from 74 countries and 10 International Organizations. The U.S. and others have worked with OECD and UNCTAD to improve collaboration and raise the profile of the event given the growing importance of international investment policy to economic growth and development.

¶3. (SBU) In his opening remarks, A/S Fernandez emphasized the importance of international investment for job creation, economic recovery, and addressing global challenges such as climate change. He stressed investment's role as a driver of trade flows and economic development, and its growing importance on the international economic policy agenda. He also highlighted the centrality of the investment relationship between the U.S. and Europe, noting that the United States will want to engage Europe's new leaders, the Commission, and Member

States as competency over investment policy shifts to the Commission with the Lisbon Treaty.

¶4. (SBU) Addressing the issue of whether international investment was a force for a stronger, cleaner, and fairer world economy, other panelists, including the Costa Rican Trade Minister, the Vice Minister of Planning and Investment from Vietnam, Indonesia's Vice Minister for Agriculture and the Secretary General of UNCTAD, all agreed on the important role of cross-border investment. Concerns included improving developing country capacity to attract green investment (and benefit from the Clean Development Mechanism), fostering balance between short- and long-term interests, and avoiding investment protectionism.

¶5. (SBU) Minister Moheildin emphasized Egypt's success in attracting FDI after a series of reforms, while warning of the potential for global fiscal stimulus to crowd out investment. Nevertheless, most participants agreed that so far there has been little incidence of protectionist measures. Moheildin stressed the importance of creating an attractive business climate, while noting that investment incentives can create distortions. A/S Fernandez reinforced that view, and cautioned against a regulatory race to the bottom.

¶6. (SBU) A/S Fernandez met with OECD Secretary General Gurria on December 7. Gurria briefed A/S Fernandez on the organization's work with respect to

anti-corruption measures, innovation, India's investment review and other work. He asked how the OECD could be most helpful, particularly in support of the G20. Gurria acknowledged that the OECD sometimes tries to anticipate needs and sometimes pushes too hard. He described the OECD's peer review process and the increasing acceptance of its comparative data such as on education with PISA (an OECD program that administers standardized educational achievement tests to 15-year-olds to allow for international comparison). He also raised the upcoming OECD 50th Anniversary (December 2010 to September 2011) and expressed hope that perhaps Secretary Clinton could chair the 2011 Ministerial Council Meeting or that President Obama could have an event at the OECD while in France for the 2011 G-20 Summit.

¶7. (SBU) Noting that he would be departing for Washington the next day, Gurria said that he would be meeting with Under Secretary Hormats, with whom he said he had discussed anti-corruption work, a model investment treaty, review of the Guidelines for Multinational Enterprises, innovation, and green growth. Regarding the possibility of work on a model investment treaty, Carolyn Ervin, Director of the OECD's Financial and Enterprise Affairs Directorate, described the "soft" process of building wider acceptance of certain legal principles, particularly among developing countries, in advance of potentially opening discussions about a model treaty.

¶8. (SBU) Gurria provided A/S Fernandez with a written status report of OECD work related to the G20 in what he said were 14 different areas (such as tax, fuel subsidies, anti-bribery, etc.). He referred to the G20 Framework for Strong, Sustainable and Balanced Growth and said that in St. Andrews the OECD was "told to help out," though the IMF has the lead. Gurria sought U.S. advice on how to use the OECD's comparative advantage on issues such as competition, corporate governance and R&D. He explained that he had traveled to Canada and Korea to seek their input. Gurria predicted that

the G20 would shift away from regulatory issues like bank capital requirements, which are too detailed for leaders, and toward broader issues like sustainable growth, climate change and job creation, where the OECD has a natural role.

¶9. (SBU) A/S Fernandez praised Gurria and the OECD for its valuable work and expressed his interest in maintaining dialogue. He noted the strong U.S. interest in outreach to non-members. Regarding the 50th Anniversary, he downplayed the possibility of President Obama's participation while suggesting that a role for Secretary Clinton was not impossible. A/S Fernandez signaled support for green growth work and interest in the recent investment review of India. He cautioned Gurria on not over-extending and keeping focused on the work the OECD does well, a point Gurria had clearly heard before. "Our concern is not that we overextend," he said, "but that we haven't been telling you what we do. But I take your point." Gurria concluded the meeting by inviting A/S Fernandez to participate in the spring Executive Council in Special Session.

¶10. (SBU) A/S Fernandez also met with International Energy Agency (IEA) Executive Director Nobuo Tanaka on December 7. Tanaka discussed the latest edition of the IEA's flagship publication, the World Energy Outlook. Fernandez was particularly interested in the IEA's forecasting on different scenarios to address reductions in energy-related greenhouse gas emissions. Tanaka reviewed what OECD and non-OECD

countries would need to do to achieve a target of 450 ppm of CO2. This included meeting or exceeding energy efficiency goals, investing in new technologies, and developing alternative energy sources. He noted the IEA's estimates for the amount of investment needed, both from the public and private sectors.

¶11. (SBU) In addition, Fernandez and Tanaka discussed outreach efforts to India and China. Tanaka indicated that while China was close to being able to meet IEA requirements for strategic petroleum reserves, India was not yet ready to make such a commitment. Indonesia, however, was very interested in developing a strategic petroleum reserve.

¶12. (SBU) Finally, Tanaka described the work the IEA was doing to fulfill the G20's request for information on energy subsidies. He noted that details were still being worked out, but that IEA would be responsible for the data on subsidies. In response to Fernandez's question about how EEB could support IEA, Tanaka indicated there were many areas for cooperation. He noted green growth, the subsidies work and next steps following Copenhagen. He said that energy security and climate issues must be addressed together. And finally, Tanaka noted the IEA can always use additional resources.

¶13. (U) This cable was cleared by EEB A/S Fernandez.

Monroe